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Rich  
Corp

**DOMINION-SCOTTISH  
INVESTMENTS  
LIMITED**



Fortieth  
**ANNUAL REPORT**  
December 31, 1968

## Board of Directors

W. A. ARBUCKLE, C.A.

Chairman of the Board

Montreal

J. K. MACDONALD

Toronto

J. G. HUNGERFORD, Q.C.

Toronto

J. G. S. GAMMELL, M.B.E., C.A.

Edinburgh, Scotland

THOMAS S. JOHNSTON

Toronto

W. J. R. GOVETT

London, England

LAWRENCE W. SKEY, D.F.C.

Toronto

## Officers

W. A. ARBUCKLE

Chairman

J. K. MACDONALD

Deputy Chairman

ROBERT W. INGLIS, C.A.

Secretary-Treasurer

## Managers

PEMBROKE MANAGEMENT LTD.

Head Office.....44 KING ST. WEST, TORONTO, ONTARIO

Shares Listed.....TORONTO STOCK EXCHANGE

Bankers.....BANK OF MONTREAL

Auditors.....RIDDELL, STEAD & CO.

Transfer Agent and Registrar.....THE ROYAL TRUST COMPANY

Trustee.....THE CANADA TRUST COMPANY

# DIRECTORS' REPORT TO THE SHAREHOLDERS

## NET ASSET VALUE

Net asset value per common share increased by 33.0% during 1968, rising from \$17.23 per share at December 31, 1967 to \$22.92 at the close of 1968. During the two years ended December 31, 1968 an increase of 56.0% has been achieved. During 1968 the Standard & Poor's 500 Stock Index advanced by 7.7% and the Toronto Stock Exchange Composite Index by 16.3%; for the two-year period ended December 31, 1968, the comparable indices advanced by 29.3% and 27.9%. The increase in net asset value per common share is at least partially attributable to the increased participation in United States investments, to which further reference is made below.

## EARNINGS AND DIVIDENDS

Net income for 1968 amounted to \$364,861. After payment of preference dividends the balance available for common shareholders was \$214,861 or 30 cents per share. Net earnings for 1967 were 46 cents per common share. The decline in net income per share is attributable to two factors:

- (1) The Board's decision to concentrate investments more heavily in the United States, referred to in the 1967 Annual Report, has resulted in reduced income for the Trust due to the generally lower equity yields available in that country;
- (2) The increased emphasis on U.S. investments has resulted in the loss of the special rate of tax available to qualified investment companies. As a result the provision for income taxes increased from \$23,000 in 1967 to \$33,000 in 1968.

Dividends paid per common share amounted to 32 cents, compared with 40 cents in 1967.

## INVESTMENT PORTFOLIO

At December 31, 1968 the assets of the Trust were invested in 53 securities. The portfolio is shown on pages 7 to 9 of this Report and a summary is set out on page 9. At the close of 1968 approximately 29% of the Company's net assets was invested in United States securities.

## REVIEW AND OUTLOOK

During 1968 the Canadian economy advanced at close to its maximum growth rate. Gross national product is estimated to have risen 8 per cent in current dollars, or 4.3 per cent in constant dollars. The main upward thrust came from a 16 per cent gain in merchandise exports (mostly to the United States), a 16 per cent increase in

housing expenditures, and a rise in purchases of goods and services by all governments, totalling 9 per cent. Importantly, for the first time in four years, productivity showed an acceptable gain.

The outlook for the Canadian economy in 1969 is for a slightly lower growth than in 1968, as a result of some slowing down in the U.S. economy. While this retardation in Canada is expected to be of modest proportions, there are indications that the economy will not utilise available resources to the full, and that the unemployment level could reach 5½ per cent of the working force. In this environment, it appears unreasonable to expect government and monetary authorities to pursue fiscal and monetary policies of severe restraint.

## INVESTMENT POLICY

The principal unknown confronting North American investors today is whether governments' avowed plans to break the inflation psychosis will be successful, or whether, as buoyant consumer and capital expenditure intentions suggest, the necessary deflationary dose will prove politically unacceptable, resulting in sustained economic growth, rising costs, higher interest rates and unsettled international monetary conditions. At the present time, your management tends to believe any slowdown in growth will be moderate, and that the major economic trends of last year will continue throughout 1969.

Investment strategy will, therefore, be one of maintaining a fully invested equity position in sound, reasonably priced common stocks of natural resource companies and capital intensive manufacturing firms, with lesser emphasis upon service and technology stocks. The Canadian equity market has out-performed substantially that of the U.S. over the past 12 months, thus providing opportunities for selective switching into more reasonably valued, better marketable U.S. issues. Despite such a shift, it is expected the portfolio will retain a higher weighting in Canadian issues.

## MANAGEMENT

Management services, which were furnished to the Company by Threadneedle Management Ltd., a subsidiary of Arbuckle, Govett & Co. Ltd., are being supplied to this Company by Pembroke Management Ltd., which was incorporated at the instance of Arbuckle, Govett & Co. Ltd., and some of its associates. Pembroke was formed to attract additional specialized personnel and to facilitate the provision of appropriate incentives, in order that expanded investment advisory services might be made available to this Company and others.

Threadneedle Management Ltd. was remunerated for its services on a fixed fee basis. Pembroke Management Ltd. will be remunerated by means of a basic fee and a performance fee calculated on a scale related to the achievement of results superior to those of an objective standard. The management expenses of this Company resulting from payment for these expanded services and the altered method of remuneration, while substantially

higher than those paid by the Company formerly will be appropriate and reasonable when measured by current practice in the investment industry and the anticipated improvement of investment performance.

#### DIRECTORATE

During the year your Directors accepted with regret Mr. N. B. Ivory's resignation from the Board upon his assumption of the presidency of Pembroke Management Ltd., which corporation now supplies management and investment advisory services to this Company.

More recently Mr. L. W. Skey tendered his resignation as a director and his name will therefore not be submitted for nomination at the forthcoming Annual General Meeting. Your directors take this opportunity to record their appreciation of the contribution made by Mr. Skey to the Trust's progress over a period verging on twenty years.

Under the terms of the By-laws, four directors are to be elected at the Meeting and, in addition, there is the vacancy caused by Mr. Ivory's resignation to be filled. Thus five directors are to be elected at the Meeting. The

following nominations will be submitted for the shareholders' approval:

Name	Term of Office
W. A. ARBUCKLE	2 years
J. K. MACDONALD	2 years
W. J. R. GOVETT	2 years
J. D. MUNCASTER	2 years
J. L. SHORTLY	1 year

#### ANNUAL MEETING

The Annual Meeting of Shareholders has been called for Friday, April 18, 1969. Both preference and common shareholders are cordially invited to attend.

On behalf of the Board,

W. A. ARBUCKLE,

Toronto, Ontario

Chairman.

March 17, 1969.

# DOMINION-SCOTTISH INVESTMENTS LIMITED

(Incorporated under the laws of Canada)

## BALANCE SHEET

As at December 31, 1968

	ASSETS	1968	1967
<b>Current Assets</b>			
Cash and short-term deposit receipts .....		\$ 1,024,577	\$ 277,261
Accounts receivable .....		6,265	8,017
Due from brokers for securities sold .....		218,170	
		<u>1,249,012</u>	<u>285,278</u>
<b>Investments</b>			
Investments at quoted market value .....		20,376,645	17,422,694
(cost 1968—\$12,919,413; 1967—\$13,457,574)			
		<u>\$21,625,657</u>	<u>\$17,707,972</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accrued expenses .....		\$ 16,638	\$ 4,441
Due to brokers for securities purchased .....		61,846	220,397
Accrued bond interest .....		40,000	40,000
Income taxes payable .....		11,168	4,551
		<u>129,652</u>	<u>269,389</u>
<b>Funded Debt</b>			
First collateral trust, Series "B" and "C" 4% bonds, due July 1, 1969 .....		2,000,000	2,000,000
<b>Shareholders' Equity</b>			
Capital Stock —			
Preference —			
Authorized —			
76,730 5% cumulative, redeemable (at \$52.50) preference shares, par value \$50 each			
Issued —			
60,000 shares .....		3,000,000	3,000,000
Common —			
Authorized —			
1,200,000 common shares of no par value			
Issued —			
713,224 shares .....		2,979,493	2,979,493
Accumulated surplus on sale of investments .....		5,645,079	5,066,398
Earned surplus .....		414,201	427,572
Unrealized appreciation of investments .....		7,457,232	3,965,120
Total shareholders' equity .....		<u>19,496,005</u>	<u>15,438,583</u>
		<u>\$21,625,657</u>	<u>\$17,707,972</u>

On behalf of the Board:

WILLIAM A. ARBUCKLE, Director

J. K. MACDONALD, Director

# DOMINION-SCOTTISH INVESTMENTS LIMITED

## STATEMENT OF INCOME For the Year Ended December 31, 1968

	1968	1967
<b>Income</b>		
Dividends from Canadian corporations .....	\$ 433,212	\$ 505,751
Dividends from foreign corporations .....	111,718	79,960
Interest received .....	641	43,846
	<u>545,571</u>	<u>629,557</u>
<b>Expenses</b>		
Administrative expenses .....	20,348	18,220
Investment advisory fees .....	13,697	7,500
Directors' fees and salaries .....	17,582	15,474
Bond interest .....	80,000	80,000
Bank charges (including interest) .....	6,730	2,957
Trustee, registrar, legal and audit fees .....	9,353	6,952
	<u>147,710</u>	<u>131,103</u>
Income before Income Taxes .....	397,861	498,454
Provision for Income Taxes .....	33,000	23,000
Net Income .....	<u>\$ 364,861</u>	<u>\$ 475,454</u>

## STATEMENT OF EARNED SURPLUS For the Year Ended December 31, 1968

	1968	1967
Balance at Beginning of Year .....	\$ 427,572	\$ 387,408
Add Net Income for Year .....	364,861	475,454
	<u>792,433</u>	<u>862,862</u>
<b>Deduct:</b>		
Dividends paid —		
On preference shares at the rate of \$2.50 per share .....	150,000	150,000
On common shares at the rate of \$.32 per share		
(1967—\$.40 per share) .....	228,232	285,290
	<u>378,232</u>	<u>435,290</u>
Balance at End of Year .....	<u>\$ 414,201</u>	<u>\$ 427,572</u>

# DOMINION-SCOTTISH INVESTMENTS LIMITED

## STATEMENT OF ACCUMULATED SURPLUS ON SALE OF INVESTMENTS

For the Year Ended December 31, 1968

	1968	1967
Balance at Beginning of Year .....	\$ 5,066,398	\$ 4,696,275
Net Gain on Disposal of Investments .....	578,681	370,123
Balance at End of Year .....	<u>\$ 5,645,079</u>	<u>\$ 5,066,398</u>

## STATEMENT OF UNREALIZED APPRECIATION OF INVESTMENTS

For the Year Ended December 31, 1968

	1968	1967
Balance at Beginning of Year .....	\$ 3,965,120	\$ 2,562,385
Net Increase for the Year .....	3,492,112	1,402,735
Balance at End of Year .....	<u>\$ 7,457,232</u>	<u>\$ 3,965,120</u>

## STATEMENT OF CHANGES IN NET ASSETS

(Total net assets less funded debt)

For the Year Ended December 31, 1968

	1968	1967
Net Assets at Beginning of Year .....	\$15,438,583	\$13,625,561
Add		
Net income for year .....	364,861	475,454
Net gain on disposal of investments		
(proceeds 1968 \$6,546,535; 1967 \$3,856,511) .....	578,681	370,123
Increase in unrealized appreciation of investments .....	3,492,112	1,402,735
	4,435,654	2,248,312
Deduct dividends paid on preference and common shares .....	378,232	435,290
Net increase for year .....	4,057,422	1,813,022
Net Assets at End of Year .....	<u>\$19,496,005</u>	<u>\$15,438,583</u>

## AUDITORS' REPORT

To the Shareholders

Dominion-Scottish Investments Limited

We have examined the balance sheet of Dominion-Scottish Investments Limited as at December 31, 1968 and the statements of income, earned surplus, accumulated surplus on sale of investments, unrealized appreciation of investments and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,  
January 27, 1969.

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants

# DOMINION-SCOTTISH INVESTMENTS LIMITED

PORTFOLIO AS AT DECEMBER 31, 1968

## PREFERRED SHARES (1.26% of net assets)

	Number of Shares	Market Value
Great Britain and Canada Investments (1968) Ltd.		
2nd Preference of \$2 p.v. ....	11,000	\$ 13,750
Overland Express Ltd. Non-Voting Second Pref. ....	33,300	258,075
		<u>\$ 271,825</u>

## COMMON AND CONVERTIBLE PREFERRED SHARES (93.53% of net assets)

### BANKS (7.20% of net assets)

Bank of Montreal .....	15,000	\$ 251,250
Canadian Imperial Bank of Commerce .....	20,000	450,000
Royal Bank of Canada .....	15,000	397,500
Toronto-Dominion Bank .....	20,000	450,000
		<u>\$ 1,548,750</u>

### EDUCATION AND RECREATION (9.64% of net assets)

Columbia Broadcasting System, Inc. ....	6,120	\$ 352,799
Famous Players Canadian Corp. Ltd. ....	15,000	1,155,000
Metromedia Inc. ....	10,200	564,752
		<u>\$ 2,072,551</u>

### FINANCIAL (6.08% of net assets)

Great Britain and Canada Investments (1968) Ltd. ....	11,000	225,500
National Trust Co. Ltd. ....	20,000	415,000
Toromont Industrial Holdings Ltd .....	200,000	600,000
Toromont Industrial Holdings Ltd. "Warrants" .....	66,667	66,667
		<u>\$ 1,307,167</u>

### FOOD AND BEVERAGE (7.32% of net assets)

T. G. Bright & Co., Limited .....	7,500	\$ 671,250
Distillers Corporation-Seagrams Limited .....	8,000	404,000
Growers Wine Co. Ltd., Class "B" .....	30,000	75,000
Walker-Gooderham & Worts Ltd., Hiram .....	10,000	422,500
		<u>\$ 1,572,750</u>

### ELECTRICAL EQUIPMENT AND ELECTRONICS (4.75% of net assets)

Daniel Woodhead Co. ....	4,000	\$ 66,495
International Business Machines Corp. ....	1,400	472,973
Teledyne Inc. ....	3,000	344,272
Magna Electronics Corp. Ltd. ....	10,000	136,250
		<u>\$ 1,019,990</u>

# COMMON STOCKS (Continued)

	Number of Shares	Market Value
GENERAL MANUFACTURING (8.47% of net assets)		
Carrier Corporation .....	10,000	\$ 841,912
Combustion Engineering Co. ....	4,000	296,010
Dominion Foundries & Steel Ltd. ....	16,000	374,000
Nalco Chemical Company .....	5,000	309,014
		<u>\$ 1,820,936</u>

## MERCHANDISING (7.34% of net assets)

Kings Department Stores Inc. ....	7,000	\$ 173,611
Peoples Credit Jewellers Limited .....	8,475	254,250
Peoples Department Stores Ltd. ....	40,000	560,000
Revco D. S. Inc. ....	5,100	237,251
Tamblyn Ltd., G. ....	8,000	352,000
		<u>\$ 1,577,112</u>

## METALS AND MINING (7.97% of net assets)

British Columbia Molybdenum Ltd. "Warrants" .....	10,000	\$ 50,000
Dynasty Explorations Ltd. ....	30,000	450,000
Hollinger Mines Limited .....	12,000	402,000
International Nickel Co. of Canada Ltd. ....	15,000	622,500
Opemiska Copper Mines (Quebec) Ltd. ....	20,000	189,000
		<u>\$ 1,713,500</u>

## PAPER AND FOREST PRODUCTS (6.66% of net assets)

Abitibi Paper Co. Ltd. ....	16,000	\$ 150,000
Columbia Cellulose Co. Ltd., \$1.20 Cum. Red. Conv. Pref. ....	10,000	142,500
MacMillan, Bloedel Ltd. ....	25,000	718,750
Price Company Limited .....	30,000	420,000
		<u>\$ 1,431,250</u>

## PETROLEUM AND PIPELINES (11.17% of net assets)

Ashland Oil & Refining Co. ....	10,000	\$ 457,153
French Petroleum Co. Ltd. ....	30,000	253,500
Pennzoil United Inc. ....	6,750	407,215
Pennzoil United Inc. Conv. Pref. ....	12,000	1,084,298
Texaco Canada Ltd. ....	6,000	198,000
		<u>\$ 2,400,166</u>

# COMMON STOCKS (Continued)

	Number of Shares	Market Value
PRINTING AND PUBLISHING (9.15% of net assets)		
British American Bank Note Co. Ltd. ....	5,000	\$ 281,250
Moore Corporation Ltd. ....	12,000	388,500
Southam Press Ltd. ....	10,000	570,000
Sun Publishing Co. Ltd., Class "A" ....	10,000	310,000
Western Publishing Co. ....	15,000	418,275
		<u>\$ 1,968,025</u>
PUBLIC UTILITIES (6.55% of net assets)		
British Columbia Telephone Co. ....	10,000	\$ 690,000
Consumers' Gas Co. ....	25,000	500,000
Quebec Telephone ....	15,000	217,500
Sundry securities ....		41
		<u>\$ 1,407,541</u>
TRANSPORTATION (1.23% of net assets)		
Penn Central Company ....	3,900	\$ 265,082
TOTAL COMMON AND CONVERTIBLE PREFERRED SHARES .....		<u>\$20,104,820</u>

## SUMMARY

		% of Net Assets
PREFERRED SHARES .....	\$ 271,825	1.26%
COMMON AND CONVERTIBLE PREFERRED SHARES .....	20,104,820	93.53
CASH AND CASH ITEMS (NET) .....	1,119,360	5.21
TOTAL NET ASSETS .....	<u>\$21,496,005</u>	<u>100.00%</u>

# DOMINION-SCOTTISH INVESTMENTS LIMITED

## Ten-Year Financial Summary

Year Ended Dec. 31	Gross Income	Bond Interest	Expenses	Income Taxes	Net Income	Total Net Assets	Funded Debt and Preference Shares*	Available for Common Shares	Asset Value per Common Share
1959	\$296,320	50,000	32,205	12,000	202,115	8,303,325	3,428,850	4,874,475	9.09
1960	319,494	50,000	37,604	17,000	214,890	8,360,966	3,428,430	4,932,536	9.21
1961	359,103	50,000	38,422	16,000	254,681	10,039,031	3,428,430	6,610,601	12.34
1962	369,870	50,000	39,156	10,000	270,714	10,458,791	4,650,000	5,808,791	10.85
1963	403,080	50,000	37,097	10,700	305,283	11,518,886	4,650,000	6,868,886	12.84
1964	449,532	76,515	39,489	10,700	322,828	13,568,928	5,150,000	8,418,928	15.74
1965	585,728	80,000	48,105	23,000	434,623	17,135,930	5,150,000	11,985,930	16.80
1966	637,736	80,000	51,383	22,000	484,353	15,625,561	5,150,000	10,475,561	14.69
1967	629,557	80,000	51,103	23,000	475,454	17,438,583	5,150,000	12,288,583	17.23
1968	545,571	80,000	66,349	33,000	366,222	21,496,005	5,150,000	16,346,005	22.92

\* Preference shares at redemption price of \$52.50.

